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Dear Colleagues:

We write in response to your letter of April 12, in which you ask our industry to help explore solutions to address the ongoing threat of piracy to motion pictures distributed in digital formats.

As you know, the American software and hardware industries have a long and proud history of advising the content community on technical ways to fight piracy. These successes – such as the DVD – demonstrate the ability of our industries to work together to develop effective technical solutions to piracy challenges where solutions are feasible. We are committed to continuing this work because we all share a dedication to combating piracy and promoting innovation, as well as a desire to embrace the Internet as a medium for commerce. At the same time, we remain committed to satisfying the product performance needs of all of our customers, including the businesses and public sector users that make up as much as 80 percent of our customer base.

The unprecedented success of the Internet demonstrates that the market-driven, consensus-based approach to standards setting works. While our industry is characterized by a near-boundless optimism about the possibilities of technology, we know that there is unfortunately no panacea-chip or cure-all piece of code that will stop piracy completely. And while some of the challenges to protecting content are likely to have near-end solutions, others – such as peer-to-peer file sharing – are significantly more difficult and their complexity requires a longer-term, deliberative approach.

Any approach to the issue of peer-to-peer file sharing must address the core nature of this emerging technology. Peer-to-peer technologies constitute a basic functionality of the computing environment today and one that is critical to further advances in productivity in our economy. Any solutions to the problem of piracy must not compromise the innovations this functionality has to offer, and – more importantly, must first address the means by which unprotected content finds its way onto these systems in the first instance.

We continue to believe that the Copy Protection Technical Working Group (CPTWG) and similar voluntary, industry-led standards setting bodies are the best way to develop viable solutions to many technical issues. We look forward to continuing the important work of the CPTWG.

We also feel strongly that technology is an important part of the piracy solution, but it is not the only solution. Focusing on technology in isolation, and only on digital rights management technologies in relation to piracy, will limit the search for solutions to only one aspect of a multifaceted challenge. For any future discussions to accomplish our shared objectives – protecting content, promoting customer choice and fostering innovation – the agenda must be expanded to include other matters of equal importance:

- **Educating consumers and customers** about the harm piracy causes innovators, copyright owners and the economy;
- Encouraging **enforcement of existing laws** in cases of systematic, widespread distribution of pirated content;
- Exploring avenues to **harness the power of the Internet** in bringing robust content to consumers;
- Addressing the **legitimate expectations of consumers** for the use of both content and technology, whether such expectations constitute “fair use” in the traditional sense of that term or reflect patterns of use that lie outside of that concept. This is all within a broader context of promoting effective intellectual property rights protection and innovation.

This list represents our outline of a productive work program. We are prepared to engage our senior executives should you agree to any further discussion that includes these critical components of the piracy debate.

Clearly, these issues are equally as important to the content industry as the IT community. We stand ready to advise you on the technical solutions and to work with you to address the broader scope of the piracy challenge. With this approach, we can embrace the many opportunities that the secure distribution of robust, digital content can bring.

Sincerely,



Steven A. Ballmer
CEO, Microsoft Corporation



Craig Barrett
CEO, Intel Corporation



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President, Chairman, & CEO
Sybase, Inc.



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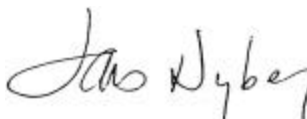
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